



*Empowered lives.  
Resilient nations.*

Ref: UNDP/Project/Implementing Unit

23 November 2017

Dear Mr. Dirdal,

**Subject: Project “Innovative Business Development for local sustainable economic growth”  
Progress Report**

Reference is made to the contribution agreement between UNDP Moldova and Norwegian Ministry of Foreign Affairs for the project “Innovative Business Development for local sustainable economic growth” effective 06/08/2014.

I am pleased to submit herewith the Final Narrative and Financial Interim Donor Report for the abovementioned project for the whole duration of project implementation (2014-2017).

The Narrative report summarizes the key results of the project since 2014, and provides an overview of the achievements, challenges, lessons learned, financial status and way forward. The Interim financial report covers 2017 for the period January through December 2017.

I thank MFA Norway for its contributions to UNDP and look forward to strengthening our partnership in support of the development in Moldova.

Dafina Gercheva  
UN Resident Coordinator  
UNDP Resident Representative

Key attachments:

- 1. Final narrative report**
- 2. Interim Financial Donor Report for 2017**
- 3. MICS (Moldova Innovation Challenge Scheme) Manuals for simple and collaborative projects**
- 4. Business Innovation Lab Manual**
- 5. Separate narrative report for the initiative to support innovation in the fresh fruits sector**
- 6. RCT preliminary report**
- 7. MICS Monitoring and Evaluation Table**

Marius Dirdal  
Director  
MFA Norway



Norwegian Ministry  
of Foreign Affairs



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# FINAL REPORT

United Nations Development Programme

**Innovative Business Development for local sustainable economic growth**

Reporting Period	2014 - 2017
Donor	MFA Norway
Country	Republic of Moldova
Project Title	<b><u>Innovative Business Development for local sustainable economic growth</u></b>
Project ID (Atlas Award ID)	00080999
Outputs (Atlas Project ID and Description)	00090471 Innovative Business for Local Development
Implementing Partner(s)	Ministry of Economy, ODIMM
Project Start Date	06/08/2014
Project End Date	31/12/2017
2016 Annual Work Plan Budget	Budget <b>1,626,678 USD</b> , of which: ~ UNDP (Regular) . 90,000 USD ~ Other o Donor (Government of Romania) - <b>100,000 USD</b> o Government of Norway . <b>1,420,169 USD</b> o Orange - <b>16,509 USD</b> o Special Activities - 9,447 USD
Unfunded budget	0.00 USD
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## I. Executive summary

During the period 2014-2017, Project accomplished its main goals and achieved important and scalable results. Firstly, the trainings and consultancy component of the project was fully implemented with important knowledge transfer to a large number of SMEs. In the respective period, at least **23 training sessions** were conducted and more than **500 Moldovan SMEs**, from various economic sectors, took active part and learned new tactics, tools and strategies to innovate. Moldovan companies showed high to very-high interest in the LED trainings, mainly due to the high-quality content of such trainings and their practicality. The direct cash support component was also fully implemented, with **86 innovation awards** provided to private sector companies. Project successfully tested the MICS (Moldova Innovation Challenge Scheme), which is essentially a new mechanism to engage with private sector companies for both simple as well as collaborative innovative projects, independently from the size of the SME or sector. Project performed regular monitoring of the implementation of the innovation awards, as well as implemented the **first Randomized Controlled Trial (RCT)** to measure the impact of the cash support on the economic performance of the SMEs and inform the Government on the most suitable way to up-scale the project to a national-level Innovation Vouchers Scheme. Preliminary results of the RCT are already available and incorporated into the current report. Through the MICS, Project also mobilized significant financial resources from private sector, in form of matching cash for the innovation project.

Project launched the first in Moldova **Business Innovation Lab**, a co-working and collaborative space open for local SMEs to test their innovative ideas. The Lab was established through partnership with the Ministry of Economy, USAID, SIDA and Moldova Technical University and will continue operations after the end of the current project period. The project team tested new ideas, on the basis of the Lab, in particular the **collaborative innovation projects** by private sector and **alternative financing** for development. The project tested and successfully implemented the first UNDP Moldova **concept crowdfunding** intervention to mobilize funds to solve the challenge of reduced fresh fruits consumption by kids through collaborative innovation.

## II. Background

### Innovations and the private sector in Moldova

SMEs in Moldova have a reduced level of access to and usage of innovations, including finance to innovate, knowledge-sharing networks, and others. This stems from, inter alia, an underdeveloped legislative framework, inefficient usage of available resources, lack of coordination among various actors, unclear distribution of responsibilities between different entities, lack of a comprehensive M&E framework to monitor and evaluate progress in promotion of innovations. Above all, the concept of "innovations" is yet not fully understood and interpreted in a very narrow R&D sense, merely only in terms of patented technological improvements or scientific discoveries. The current Strategy on innovation<sup>1</sup>, elaborated by the Government with support from UNDP, approved in 2014, brought important changes to the current set-up and the proposed policy measures are fully aligned and will support the implementation of the Moldova 2020 Strategy<sup>2</sup>.

The Strategy contained a summary of the perceived needs and identified problems and values of the key indicators available at the moment. The main identified issues related to a **lack of proper eco-system for innovation, difficult access and expensive capital for innovation**

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<sup>1</sup> In Romanian: <http://www.mec.gov.md/sites/default/files/document/proba16.pdf> \

<sup>2</sup> [http://particip.gov.md/public/files/Moldova\\_2020\\_ENG1.pdf](http://particip.gov.md/public/files/Moldova_2020_ENG1.pdf)

**projects that normally comport specific risks, lack of support and linkage between research institutions and private sector, and lack of knowledge on innovation and innovative business conduct.**

The approach behind the Project is in fact to support the **operationalization** of the Strategy by piloting specific items of its Action Plan, in particular as it regards the transfer of knowledge and financing innovation for SMEs, in view of future upscale and development of an Innovation Fund for SMEs.

A lack of national statistical evidence on promotion of innovations up until now made it difficult to set specific baselines, and national statistics are yet insufficient in reflecting the de-facto situation in the promotion of innovations in business development process; in this context, the Project focussed on developing a successful model by setting corresponding targets in its RRF, with a view on supporting its up-scaling and national uptake to produce impacts at a national level.

### **III. Goal, objectives and key project components**

**Project Goal:** Spur innovations in business start-ups and business development for sustainable job creation at local level

**Objectives:**

**O.1. Build expertise/knowledge for mainstreaming innovations into business development processes and selective cases of start-ups.**

**O.2. Facilitate innovative business development for existing businesses through matching/competitive small grants scheme, aligned to the UNDP Innovation Challenge Policy.**

### **KEY COMPONENTS OF THE PROJECT**

At the operation level, the Project is pursuing the set objectives via the implementation of key three sets of activities/components, focusing on (a) training and consultative support to promote innovations, (b) provision of matching grant support to selected innovative start-ups and existing businesses in post-incubation phase to facilitate uptake of innovative practices and ideas and (c) support to local authorities to develop or expand their economic development plans with clear focus on innovations in business start-up and business development at local level. The last component was dropped, based on agreement with the Norwegian MFA in 2015 and maintained through Board decision on 13 April 2016, due to the reduced amount of financial resources available to the project and political instability as regards the decentralization process.

#### **Component 1.**

At the incipient phase, as well as during the entire duration of the Project, teams of national and international consultants deliver tailored trainings to potential entrepreneurs and established SMEs in post-incubation phase to focus on innovations at key points, also at the level of product, process, marketing or management method, as described in the National Innovations Strategy. Through a modern business innovation laboratory, used by SMEs as a space to experiment and prototype/test various innovative solutions, Moldovan companies will get access to ultramodern software, techniques and eventually hardware leased for demonstration purposes in various sectors to promote innovations in their business processes. The Lab will be connected with international and regional best practices that will enable local business to get more exposure to knowledge and foreign markets for innovations.

#### **Component 2.**

Building on the knowledge acquired through trainings and consultative support, the second component in the project would provide financial support through matching small grants for

innovations, aligned to the UNDP Innovation Challenge Policy. Given that trained SMEs have a better understanding of what innovations they need and how to implement those, the Project is providing, on a competitive basis, small matching awards to support concrete projects. Such financial support can be used to help scale-up innovative business ideas that worked well on micro level. The plan is also to establish a brokerage forum on which selected SMEs will have access to new investors from home or abroad interested to invest in innovative solutions. The forum will be also a virtual space to ensure that innovative solutions are discussed and improved through an on-line platform and interaction of beneficiaries.

#### IV. Achieved results

Project implementation kicked-off with the development of a Baseline Study that was based on a tailored survey in private sector companies and in-depth interviews with specialists and representatives of the local business community and business associations. The key findings were used for the creation of the innovation lab, establishment of the board of mentors, preliminary list of key needs of the private sector in terms of trainings, consultancy and cash support.

Throughout the period 2014-2017, the Project implemented various **training activities**, as well as provided consultancy services, for the benefit of the innovative local SMEs.

##### Component 1



*Training on ABC of innovation for local SMEs*

Overall, **at least 23 specific training sessions** were conducted and more than **500 Moldovan SMEs** from various economic sectors took active part and learned new tactics, tools and strategies to innovate. Moldovan companies showed high to very-high interest in the LED trainings, mainly due to the high-quality content of such trainings and their practicality. On average, more than 60% of the participating SMEs appreciated more the practical aspects of the trainings, compared to the remaining 40% that appreciated more the degree of novelty and interest, same tendency as registered

throughout the whole period of project implementation. The tactics towards the development of a comprehensive training programme for the SMEs was to kick-off from a more general training, encompassing various different innovative solutions combined into comprehensive agenda, towards narrower in focus and practical workshops. The first comprehensive training conducted on June 26-27, 2015 was used to collect specific feedback from SMEs on topics that are of major interest for such companies and their counterparts on the value chain. Consequently, all other trainings were much narrower in focus and tackled the key identified issues, namely: *ABC of innovation*, *innovative sales and marketing* and new ways of *financing innovative projects* in Moldovan context. Such topics were in fact identified in the Baselines Study, based on extensive survey in Moldovan SMEs, and re-confirmed with the interested SMEs. In 2016, the Project expanded the list of training by including *workshops on the EU SME Instrument and H2020* with specific focus on pre-commercial innovation and companies to high- to very-high potential to apply in the future to such instruments.

*Selective trainings conducted in 2015:*

	<b>Training topic</b>	<b>Trainer</b>	<b>Number of participating SMEs</b>	<b>Women</b>	<b>Annex</b>
26-27 June 2015	Promoting innovation in SME development: opportunities and regional best practices	Boris Golob, Iraklis Agiovlasis, other mentors of the Lab	43	9	Annex 1
13-14 October 2015	Innovative marketing for SMEs	Sigitas Brazinskas	31	17	Annex 2
11-12 November 2015	Innovative marketing for SMEs (2)	Sigitas Brazinskas	19	5	Annex 3
9-10 December 2015	ABC of innovation in SMEs	Boris Golob	31	16	Annex 4
11 December 2015	Funding innovative projects	Iraklis Agiovlasis	26	8	Annex 5
<b>TOTAL</b>			<b>150</b>	<b>55</b>	

*Trainings conducted in 2016:*

<b>Date</b>	<b>Topic</b>	<b>Trainer</b>	<b>Number of companies</b>	<b>Number of participants</b>	<b>Including women</b>	<b>Annex</b>
19 April 2016	ABC innovations Day1	Boris Golob	20	20	11	Annex 6
20 April 2016	ABC innovations Day2	Boris Golob	16	16	6	Annex 7
21 April 2016	Collaborative innovation projects for fresh fruit producers and processors	Boris Golob Benjamin Singh	24	22	9	Annex 8
26 May 2016	Funding for innovations in SMEs	Iraklis Agiovlasis	28	29	7	Annex 9
27 May 2016	SME Instrument H2020	Iraklis Agiovlasis	25	25	10	Annex 10

08 June 2016	ABC innovations Day1	Boris Golob	16	17	5	Annex 11
09 June 2016	ABC innovations Day2	Boris Golob	14	15	5	Annex 12
20 October 2016	Innovative marketing for SMEs	Sigitas Brazinskas	9	11	8	Annex 13
28 November 2016	ABC innovations Day1	Boris Golob	16	16	8	Annex 14
29 November 2016	ABC innovations Day2	Boris Golob	5	6	3	Annex 15
01 December	Funding for innovations in SMEs	Iraklis Agiovlasitis	17	19	10	Annex 16
TOTAL			190	196	84	

All trainings on innovation in the fresh fruits sector are reported separately and attached. The application process to the named trainings was based on the provisions and recommendations of the Baseline Study. The announcement and online application to any of the above-enlisted trainings was available on [www.inobiz.md](http://www.inobiz.md) platform or direct registration with the Project. All trainings were conducted by the mentors of the Business Innovation Lab, selected based on UNDP procedures and regulations.



*UNDP's Business Innovation Lab*

The mandate of the **Business Innovation Lab** is to ensure tailored mentorship to the innovative projects and test new ways of engagement with the private sector, including with innovative start-ups. In fact, the Lab was successful in piloting collaborative innovative projects bringing in SMEs from different sectors around a joint innovative solution to a specific societal challenge.

**An example of this and a specific case when knowledge acquired during the provided trainings is being used, is the [Coolege Vitamineq Campaign](#) that aimed to positively contribute to increased fresh fruits consumption among kids in public schools**

and kindergartens throughout the country. In the piloting phase, two collaborative projects of producers/processors and distributors were supported through MICS (Moldova Innovation Challenge Scheme), aiming to encourage innovations in the fresh fruits production sector by the adoption and implementation of the fresh-cut technology. The campaign brought together 5 selected public schools and kindergartens, more than 3,500 kids as direct beneficiaries, and the named 2 collaborative groups of companies.

More details on the innovation in processing and servicing kids, as part of the Coolege Vitamine campaign, are placed [here](#). In autumn of 2017, the Government took the decision to up-scale the pilot to a [National Fresh Fruits in Schools programme](#), to be covered from the public budget and that will benefit around 350,000 kids at national level.





*Kids in public schools receive fresh cut snacks*

The project mobilized additional resources in order to promote innovation to specific sectors. In particular, funds were raised and a training program developed for technological and knowledge transfer on innovation to producers and exporters of fresh fruits. Such resources were mobilized from the Government of Romania and successfully implemented by the Project.

## Component 2



*Innovation in development and production of micro wires, used in biomedicine*

The direct cash support component was fully implemented in the period 2014-2017. The project, besides the core resources, also mobilized additional funds and provided financing, on a highly competitive basis, to individual/simple innovative projects, collaborative projects, and innovative projects for technological transfer in fresh fruits. Overall, **86 innovation awards** were granted to private sector companies, through the MICS modality, successfully tested back in 2015. This includes both simple/individual as well as collaborative innovation projects. The Project is closely monitoring the implementation of the innovative projects by SMEs. Monitoring efforts included company visits and observation, review of achieved progress and guidance to companies on how they should make use of the provided awards. Overall, 3 project staff and 2 external consultants were engaged in monitoring visits, to include visits to all grantees and about **105 days of workload** (to include monitoring, field visits, collecting of additional primary data, providing support for SMEs in their reporting on the implementation of the projects, other). **Detailed**

**summarizing table** is attached.

Some of the projects are already yielding interesting results, including pre-commercialization prototypes, innovation in business processes, innovative products or services. The Project is running a Randomized Controlled Trial (RCT) to measure the impact of direct cash support

onto the turnover and productivity and the preliminary results are already available. The final RCT report will be released by mid-2018, when official statistical data at micro-level will be released, received by project and analysed. The final results of the RCT will be used in dialogue with the Government over the up-scaling of the project.



*Innovative greenhouse with modern combined irrigation system*

By conducting the RCT, UNDP committed not to interfere in the implementation of the innovative projects, not to provide any additional further cash support to the companies included in this exercise, as well as not to provide further consultancy to such companies, in order not to influence project implementation. Best business cases that reached the project proposed targets or achieved more than what initially planned, were included in a **compilation of success stories** published by Project in early 2017.

Selected innovative products prototyped and developed by private sector companies that are new for the local market, are presented below:



*Fresh-cut apple snack, 80g, certified, shelf-life 15 days*



*Frozen pre-packed snails*



*Customizable package for bottles in traditional style*



*12g Honey bags*

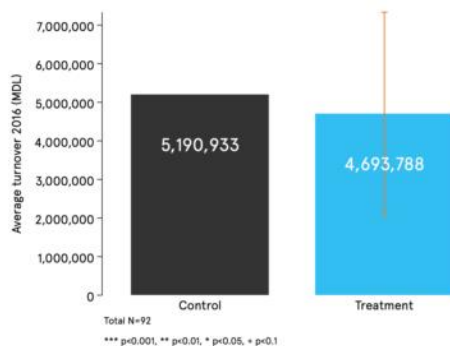
Selection of awardees was conducted based on the provisions of MICS Manual, approved by the Ministry of Economy. The logics in the selection process is to organize at least three stages, i.e. application with concept note, pre-selected projects/SMEs are invited then to submit full application, and the third stage is the pitching event, whereby companies have to chance to defend their project in front of the investment committee. A delegate of the Ministry of Economy

participated to all organized investment committee meetings, together with independent evaluators hired by the project based on UNDP's rules and regulations.

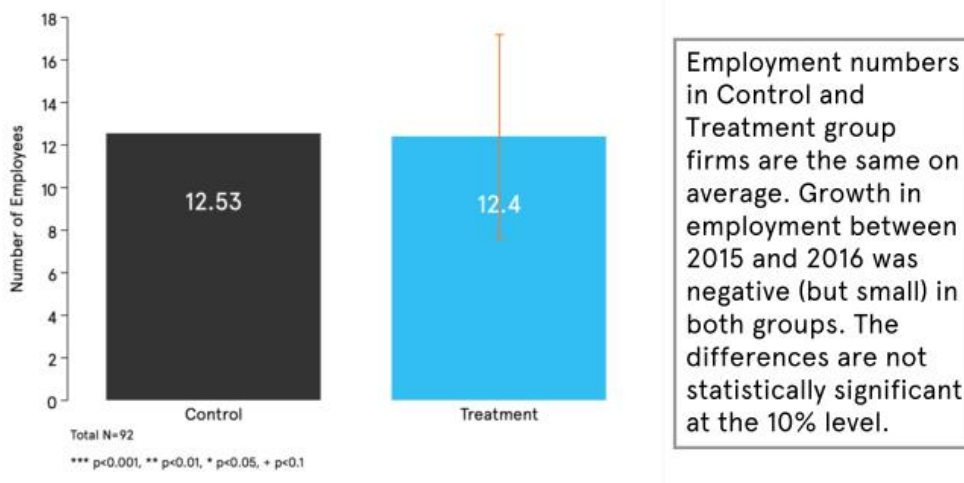
The **preliminary results** of the implemented **Randomized Controlled Trial** are presented below. Final results will be available by mid-2018 when an additional round of data collection will be collected from the National Bureau of Statistics, Tax Authority and directly from the beneficiaries in both treatment and control groups (mainly on two indicators: number of new jobs and turnover). In particular, the specific objectives of the RCT were:

- Evaluate economic impact of the MICS on SMEs (outcome variables: turnover, jobs)
- Eventually propose up-scale, along the lines of the Innovation Strategy, and allocate public funds
- Raise interest in impact evaluation of main stakeholders

Key parameters of the Trial: implementation through the Innovation Challenge Scheme (individual innovative projects by SMEs, application exclusively online), randomization of the winning companies; total number of participating SMEs: 106 (incl. 63 in treatment group, receiving UNDP's innovation award) and outcome variables - turnover (growth in revenue) and labor productivity. Matching conditional financial grant (8,000 USD, 60/40 distribution, 90% advance payment for innovation project); randomization at individual level; key sources of validated data: National Bureau of Statistics, Tax Authority and primary data from companies. Project collected historical data for the last 10 years for companies participating in the trial and a larger pool of about 10,000 local SMEs for which data is available. The expected outcome of the intervention is an average anticipated 17% increase in revenue in treatment group companies.



Control group companies had a higher turnover on average than Treatment group companies. However, this result is driven by a company in the Control group with very high turnover. Excluding this company, Treatment group companies have a higher turnover on average. Companies in the Treatment group also experienced higher **growth** in turnover between 2015 and 2016 (including all companies, results not shown). None of the differences is statistically significant at the 10% level.



### Communication and visibility activities:

- A high visibility was ensured for the project through communication about the trainings organized with international experts, promotion of the events on the Facebook page, dissemination of the information amongst potential participants from the target group, update and maintenance of Inobiz Facebook page with information about local and international developments in the field of innovation.
- The promotion of the competition and communication with the grantees before, during and after the selection process, follow-up and collecting of information for success stories; Project developed a compilation of business cases (comprising more than 10 specific examples) and success stories that were published on UNDP's webpage and other external sources.
- An intensive communication campaign on the Coolege Vitamine initiative: activity on social media, direct mailing, video and promo materials production, follow-up with the donors of the campaign, close contact with the media for a successful dissemination of the deployment and results of the program.

### Selective available links:

- **An interview with the Coolege Vitamine team on the rationale and deployment of the project**

<https://medium.un.md/an-apple-story-with-the-make-apples-cool-team-ed2db70baec5>

- **The story of Chisinau Loading Summer School beneficiaries: Octavian and Mariana and their desire to reduce the use of plastic bags in Moldova**

<https://medium.un.md/visionaries-loading-51bae5ba6489>

- **The story of Chisinau Loading Summer School beneficiaries: Ilie and Cristi and their desire to create a map of the center of Chisinau for tourists**

<https://medium.un.md/visionaries-in-moldova-at-only-15-9eceacce4387>

- **Story of an award receiver that produces equipment destined for agro processing and used the grant to diversify its production and test solutions that operate on biomass.**

<https://medium.un.md/the-equipment-that-comes-to-life-due-to-the-passion-to-innovate-eb422e716eda>

- **Story of a grant receiver that activates in the textile industry and used the grant to diversify his product line with a series of bio-degradable souvenirs.**

<https://www.youtube.com/watch?v=33zEKhNVqTU&index=1&list=PLW8tTWcbumlcOTWbCKILNahrkzs-CLFmj>

- **Moldovan fruit producers and Fruit Logistica Berlin**

<https://undpmoldova.exposure.co/moldova-at-fruit-logistica-berlin>

- **The detailed production of the apple snack distributed in schools and kindergartens of Moldova**

<https://undpmoldova.exposure.co/the-sliced-apple-journey>

- **Launch of the Business Innovation Lab**

<http://www.md.undp.org/content/moldova/en/home/presscenter/pressreleases/2017/03/15/pn-ud-lanseaz-primul-s-u-laborator-de-inova-ii-n-afaceri-n-incinta-centrului-tekwill-de-excelen-n-domeniul-tic-.html>

- **Tree planting at Lyceum Mihai Viteazu, part of Coolege Vitamine project**

[http://md.one.un.org/content/unct/moldova/en/home/presscenter/press-releases/children-from-\\_mihai-viteazul-high-school-are-proud-of-a-first-o/](http://md.one.un.org/content/unct/moldova/en/home/presscenter/press-releases/children-from-_mihai-viteazul-high-school-are-proud-of-a-first-o/)

- **Technological transfer of new technologies bringing in positive results in terms of exports of fresh fruits**

<http://www.md.undp.org/content/moldova/en/home/presscenter/pressreleases/2017/local-producers-deliver-fresh-fruits-to-one-of-the-largest-retai.html>

### **Innovative and additional activities:**

The project team promoted an innovative approach and developed activities beyond the initial project plans to improve its effectiveness and outreach. In the reporting period the project organized a first [UNDP-led crowdfunding intervention](#) to raise funds locally and internationally from individuals and private sector companies to stimulate the fresh fruits consumption scheme in public schools and kindergartens. The campaign was also about validating the specific concept of bridging and connecting private sector innovative ideas to schools and, ultimately, kids. It would test the prototype of a future possible innovative product, i.e. fresh snacks of about 80g with a storage shelf life of up to 21 days in attractive and easy to use package. In the period of June-August 2016, the project managed to mobilize 12,400 USD, about 12% more than the initially set target. Important financial backing was received from private sector companies, local individuals and participating schools. Through a competitive process, 5 public schools and kindergartens were included in the project (key conditions were the agreement of at least 10% of the parents to participate, financial contribution from public budget for food, and consistent internal distribution plan within the school) with more than 3,000 kids in the Municipality of Chisinau. Our intention is to pilot the scheme for at least 12 months and, in parallel, develop a plan for up-scale to national level. To that end, the project is also planning to conduct a second crowdfunding intervention to raise funds for up-scale. The Project applied to the UNDP Second Crowdfunding Academy for support in conducting several future crowdfunding interventions to raise funds for the project needs.

The project raised funds for the **promotion of innovation through knowledge and technological transfer into the fresh fruits industry** from the Romanian Government (Narrative report on the implementation is attached). The funds raised were budgeted and committed for supporting over 150 small and medium-size local producers and exporters in

fresh fruits, primarily through tailored trainings, support in up-take of new technological solutions and specific export promotion activities and exchange of best practices.

## PROGRESS TOWARDS PROJECT OUTPUTS

Key progress achieved is shown below:

OUTPUT 1 Enhanced expertise and knowledge to mainstream innovations into the business development processes and selective start-ups			
Output Indicators	Baseline	Target (2014-2017)	Current status
No. of entrepreneurs and potential entrepreneurs who benefit from specialized mobile consultancy; No. of specific projects initiated and implemented by such entrepreneurs as the results of acquired knowledge; No. of entrepreneurs graduating existing business incubators which get trainings on innovative business development and pilot innovative ideas; No. of entrepreneurs who benefit from the Business Innovations Lab to test and implement their ideas; No. of women entrepreneurs who benefit from the Lab;	Existing incumbents and SMES has low or inexistent capacity to innovate for business development; potential entrepreneurs from rural and remote areas has low skills for innovative business start-up and testing their business ideas; lack of experimentation space for local SMEs to test new ideas in production, management, marketing, etc.	<p><b>Target 1.1.</b> Up to 50 entrepreneurs get specialized mobile consultancy on know-how innovation in business support in implementation of already tested innovative solutions</p> <p><b>Target 1.2.</b> Up to 25 graduates of the business incubators get tailored training on applying innovative business development (outside of the Innovations Lab) and prove to apply the acquired knowledge in concrete projects</p> <p><b>Target 2.1. One modern Business</b></p>	<p>In the reporting period, about 500 SMEs benefited from tailored trainings, including graduates of business incubators, from various sectors and locations; about 10% of these companies applied with innovative projects to the Innovation Fund. Application was exclusively online at: <a href="http://www.inobiz.md">www.inobiz.md</a>.</p> <p>Accelerated efforts were made to achieve targets 2.1 and 2.2. The Innovation Lab started its operations on the content side; the Board of international mentors was created; support of the Business Innovation Lab was provided to <b>1 collaborative project in 2017, 20 simple and 2 collaborative innovative projects funded throughout 2016 and 63 SMEs awardees from 2015</b>; in particular, support was provided by the Board of mentors for the implementation of the first 2 collaborative projects (6 SMEs) to ignite regular and substantially higher levels of fresh fruits consumption in public schools and kindergartens;</p>

		<p><b>Innovation Lab up and running</b></p> <p><b>Target 2.2.</b> Up to 20 entrepreneurs directly benefit from the Business Innovations Lab to test their specific ideas and ready to implement</p>	<p>Business Innovation Lab fully functional; it tested the alternative financing mechanism of crowdfunding for the mobilization of funds at local and international levels.</p>
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OUTPUT 2 Enhanced knowledge of SMEs to exit business incubators			
Output Indicators	Baseline	Target (2014-2017)	Current status
<p>No. of small matching grants provided for SMEs for initiating and testing innovative business solutions in the dedicated Lab; No. of companies active on the Innovations Forum; No. of transactions completed as the results of the meetings on the Forum; No. of new innovative jobs created in participating communities; Proportion of such jobs made available for women and other vulnerable groups; No. of innovative social projects initiated with support from LPAs and private sector; No. of innovative jobs created through such innovative projects;</p>	<p>Current financial support at local level for mainstreaming innovations into business and promotion of innovations throughout various sectors is lacking access to innovative business solutions is limited as exposure to international environment and finance is limited for many companies in rural and remote areas; involvement of private sector to creating innovative and equally sustainable jobs is very limited; innovative social projects solving specific community problems with direct involvement of private sector are lacking in many communities;</p>	<p><b>Target 3.1.</b> Up to 15 small matching grants provided to existing private business for the implementation of business ideas tested in the Business Innovations Lab; up to 50 innovative jobs created at local level; up to 50% of such jobs offered to women and other vulnerable groups;</p>	<p>Target 3.1. was met with <b>86 innovation awards</b> provided to private sector companies; Primary data from the companies that received innovation awards reveal that at least 80 new jobs were created, including about 35-40 for women; RCT implemented and preliminary results available to the Project/Government.</p>

## V. Project Risks and Issues

Below is an update on the key risks associated with the implementation of the Project.

### Risk Analysis.

Risks have been identified as part of the formulation process and captured in the risk log below. The project Risk Log is maintained throughout the project implementation to capture potential risks to the project and associated measures to mitigate risk. The Project Manager shall maintain and update the Risk Log, and ensure that risks are identified, communicated, and managed effectively.

A number of **risks** are listed below.

Description of risks	Type and category	Risk management actions	Current situation
1. Low participation of SMEs in the intervention	Medium/Changed to Low	1. Continue visibility efforts and think about diversifying the engagement mechanisms (through crowdfunding platform, other)	For the moment, with support from the main Project partners, SMEs positively replied to Project's invitations for either trainings or the MICS competition. On many instances, the interest of the SMEs exceeded the expectations or the financial capacities of the Project. But also several issues should be further taken into consideration, including lack of trust, sophisticated conditions for participation, and similar.
3. Slow speed in the implementation of the National Strategy on Innovations	Medium	3. Close collaboration with all members of the Board, especially with the Ministry of Economy as leading actor in the field.	Ministry of Economy fully engaged in the implementation of the Project.

## VI. Lessons learned

- The most active sectors of real economy when it comes to generating innovative projects and interest in the LED trainings are ICT, energy, HVA agriculture and some light industries.
- Some SMEs highlighted that UNDP corporate and funds' rules are too sophisticated, some other companies reported that they have fear that the innovative ideas might be stolen. The provided coaching in the process helped SMEs to understand the rules and the application mechanisms. Overall, about 50% of the participating companies proceeded to a higher level in the application process, i.e. from concept to full application and interview.
- Engagement with SMEs via trainings and coaching is crucial and improves both participation and application processes for the Innovation Fund. Wide dissemination of announcement is equally important, with social media and direct e-mailing being most efficient in terms of impact and cost. Engagement through a dedicated web platform,



i.e. [www.inobiz.md](http://www.inobiz.md), is a very useful and efficient tool to capture the attention of the SMEs and increase the level of interest towards trainings and the Innovation Fund.

- There's no significant discrepancies as it regards interest and involvement of SMEs from the geographical standpoint, if dissemination of the call for applications is close to perfect. Nevertheless, companies from the capital city are about 10% more active when it comes to registration and 15% in application terms, a tendency registered throughout the entire period of project implementation. This is one of the reasons for establishing the first innovation Lab in the capital city where interest of SMEs is higher.
- Project tested the possibility of private sector companies financially contributing to the cost of organizing the innovation trainings. Ticketing proved successful and as an additional filtering tool to select the most interested and motivated companies to generate and test innovative projects.
- The key lessons learned from the crowdfunding campaign to promote fresh fruits consumption in public schools are: (a) engagement with the private sector is key and the only way to proceed if undertaking such complex challenges. UNDP has still much to improve in the process, but the first steps proved successful, in particular through testing MICS (Moldova Innovation Challenge Scheme); (b) communication with kids and parents is crucial; understanding the reasons of the reduced fruit consumption in kids and the ways in which they prefer their food to be delivered to them helped us adapt the product to their needs in terms of content, packaging and convenience and (c) ensuring scalability is also important. By starting small with only 5 schools and over 3500 kids that we connected to two local producers, UNDP managed to showcase how fresh fruits consumption can be sustainably improved and inspire more schools and kids to join the "Coolege Vitamine". Recently, the initiative was up-scaled to a national-level Fruits in Schools Programme (similar to the one in Romania and other EU countries).

## **VII. Conclusions and Way Forward**

Project achieved important results within the training and consultancy and financial support to promote innovation in private sector. One of the key conclusions related to the implementation is that local companies have important potential to innovate in terms of designing and delivering new products or services or substantially modernizing the internal business processes. Unleashing such potential requires a consistent effort in providing not just trainings, but also direct cash support and mentorship and further the development of the needed infrastructure for innovation, including in particular innovation lab for private sector companies.

As access to capital for innovation persists as one key constraint to development of innovative private sector, further direct Government support is required. Project is able to provide evidence on what works and what is less efficient in terms of innovation promotion in private sector. The final data of the RCT will inform policy makers on how to better design the future Innovation Fund.

Overall, the operationalization of the selective elements of the Innovation Strategy was successful. The Government is searching for up-scaling the intervention, also potentially through the creation of the Innovation Fund, a public innovation vouchers fund for supporting local SMEs.

Communication to be further insured by means of human stories, interviews and direct feedback from beneficiaries of the program, reflecting the way in which the measures have affected their way of managing business and approaching to innovative ideas.

The engagement with private sector proved instrumental to exploring new opportunities for alternative funding for development and private sector investment in pilot projects that are innovative, contribute to solving a societal challenge and are up-scalable. Project tapped into new areas of joint contribution towards localized SDGs and is ready to apply gained knowledge to support the implementation of the new UNDP's Strategic Plan, in particular as it regards the engagement of private sector for SDGs, and further joint UNDP and Government of Moldova's plans in areas of innovation, achievements of SDGs, other.

#### **VIII. Financial Status**

The Financial Interim Donor Report is attached.